

**ARIZONA CORPORATION COMMISSION
SPECIAL OPEN MEETING MINUTES**

DATE: June 22, 2004

TIME: 9:00 a.m.

PLACE: Arizona Corporation Commission, 1200 W. Washington St., Room 100, Phoenix, Arizona 85007

ATTENDANCE: Chairman Marc Spitzer attended, but there was no quorum of Commissioners. See attendance list in Attachment 1.

TOPIC: DSM WORKSHOP

MATTERS DISCUSSED:

Barbara Keene of the Commission Staff welcomed everyone. Each participant made a self-introduction.

The guest speaker was Dan Violette of Summit Blue Consulting. His firm designs and implements energy conservation programs. He defines demand response as load response and price response. Load response is called for by others and includes direct load control, partial or curtailable load reductions, and/or load interruptions. Price response includes response to real-time pricing, dynamic pricing, fixed time-differentiated rates, and demand bidding at different prices. Demand response also includes distributed generation.

Mr. Violette listed the following energy efficiency and demand response themes:

1. impact of competition in wholesale electric markets;
2. focus on overall electric market efficiency in response to higher fuel costs;
3. lack of financing for any future (3 to 5 years) merchant plants;
4. boom-bust cycle in competitive capital intensive commodity markets;
5. public good nature of demand response as a result of restructured markets;
6. allowing customers to share in the benefits of restructured markets;
7. demand-side resource continuum - delivery and economics; and
8. incenting productivity and appropriate technology development.

The group then discussed how to determine the baseline. Jeff Schlegel of SWEEP described three market conditions: (1) equipment replacement, (2) retrofit, and (3) early replacement/early retirement. With equipment replacement, the baseline would be what the customer would have done in the absence of the program. With retrofit, the customer would not have done anything in the absence of the program; therefore, the baseline would be what was there at the time. Early replacement/early retirement is a blend of equipment replacement and retrofit. The baseline would be what was there at the time for a few years and then what the customer would have done in later years.

Tom Hines of APS mentioned that market intelligence has shown that 90% of retrofit air conditioners being sold in this area are 12 SEER. APS is working with Advanced Energy and

the Environmental Protection Agency on a new home construction study. The report should be out in December.

Participants discussed doing market studies for residential HVAC (systems approach) retrofit, commercial lighting, commercial HVAC, and commercial new construction. Mr. Hines suggested that the market studies be done before the Commission sets any DSM targets. Amanda Ormond stated that moderate goals can be set. Mr. Schlegel said that SWEEP's goal is less than one-third of load growth. It is a top-down goal and should apply to a long period of time, such as 2010. John Duncan of APS suggested that specific goals be set after a few years of experience. Mr. Hines stated that not all load growth is inefficient; it is driven by population growth. Mr. Schlegel urged that the utilities not wait for market studies before starting programs. Goals should be able to be adjusted.

The group then continued discussion of the draft DSM policy:

Goals and Objectives

This section was divided into Policy Goal(s), Objectives, and Program Goals.

Cost Effectiveness

References to tests other than the Societal Test were removed, but wording was added to include the impact on rates, economic development, customers costs, and other economic impacts. Water savings was added along with other wording changes. A new section on savings estimation was added.

Research and Development

The group added an example of applied technology assessment. A new section on non-allocated items was added.

Key Terms

The definitions for "participant cost test" and "rate impact measure test" were dropped.

Planning

This section was moved to below Goals and Objectives. One idea was to have annual plans filed for approval. Participants are to bring ideas on planning to the next Workshop.

Monitoring and Evaluation

The word "Research" was added to the title of this section. Wording was added to describe evaluation and research.

Mr. Schlegel mentioned that the tentative dates for SWEEP's conference in Las Vegas are November 4-5, 2004. It will be about regional coordination in DSM.

The next DSM Workshop will be held on July 23, 2004, from 9:30 a.m. to 4:00 p.m.

Barbara Keene and
Ray Williamson, Utilities Division

Attendees at the DSM Workshop
On June 22, 2004

Attendee	Organization
Chairman Marc Spitzer	Arizona Corporation Commission
David Berry	Western Resource Advocates
Jana Brandt	Salt River Project
Ward Camp	DCSI and DRAM
Rebecca Chavez	Tucson Electric Power/UNS Electric
Dennis Criswell	Arizona Electric Power Cooperative
John Duncan	Arizona Public Service
Charlie Gohman	Arizona Energy Office
Bob Gray	Arizona Corporation Commission Staff
Tom Hines	Arizona Public Service
Grant Holmes	ANL Distributors/Volttech, Inc.
Barbara Keene	Arizona Corporation Commission Staff
Steve Koepp	AHS
Paul Li	Bob Lynch's office
Chuck Miessner	Arizona Public Service
Bill Murphy	Murphy Consulting
Ernest Nedd	Residential Utility Consumers Office
James O'Bannon	Southwest Gas/RHA
Brian O'Donnell	Southwest Gas
Terry Orlick	Arizona Public Service
Amanda Ormond	Ormond Group
Jesus M. Reza	Morenci Water and Electric
Jeff Schlegel	Southwest Energy Efficiency Project (SWEET)
Vivian Scott	Southwest Gas
Kathy Senseman	Southwest Gas
Karen Smith	Salt River Project
Ray Williamson	Arizona Corporation Commission Staff
Martha Wright	Southwest Gas